

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY PARIS IMMEDIATE

C O N F I D E N T I A L STATE 077666

FOR ASSISTANT SECRETARY ENDERS

FOL REPEAT STATE 077666 SENT ACTION WHITE HOUSE

APR 5

QTE

C O N F I D E N T I A L STATE 077666

TOSEC 34

E.O. 11652: GDS

TAGS:TRD, US, EEC

SUBJECT: CHEESE COUNTERVAILING ACTION

WHITE HOUSE PASS PALM SPRINGS

FOR THE SECRETARY FROM INGERSOLL

1. CHUCK ROBINSON, BOB HORMATS, AND I HAVE HAD FURTHER DISCUSSIONS TODAY WITH SIMON, DENT, BUTZ, AND MCDONALD OF TREASURY. AGRICULTURE AND TREASURY HAVE NOT BEEN ABLE TO OBTAIN THE AGREEMENT OF HEALEY (THE CHIEF DAIRY INDUSTRY LOBBYIST IN WASHINGTON) WHO ACTS AS IF HE HAS FULL POWERS FROM THE INDUSTRY AND CONSIDERABLE CONGRESSIONAL BACKING, TO WHAT EARL BUTZ EARLIER HAD REFERRED TO AS A FAIR DEAL THAT HE HAD NEGOTIATED WITH THE EC LAST WEEK. WE AGREED TODAY THAT TODAY'S "DEADLINE" FOR COUNTERVAILING WOULD BE DEFERRED

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ONE WEEK WHILE AGRICULTURE WOULD MAKE ONE MORE APPROACH TO

THE EC ON THE TWO CATEGORIES FOR WHICH THE EC HADNOT OFFERED A SUSPENSION. OUR AGREEMENT WAS ONLY ON CONDITION THAT THIS NOT BE POSED AS AN ULTIMATUM. IF THE EC ACCEPTS THIS COUNTERPROPOSAL WE WILL GUARANTEE AND WAIVE THE APPLICATION OF COUNTERVAILING DUTIES ON THOSE CHEESES WHICH ARE STILL BEING SUBSIDIZED.

2. THE AGREEMENT NEGOTIATED BY AGRICULTURE LAST WEEK IN FACT GIVES A BETTER DEAL TO THE U.S. DAIRY INDUSTRY BY ASSURING A PRICE SPREAD IN THE TWO DISPUTED CATEGORIES.

HOWEVER, IT APPEARS TO US THAT THE INDUSTRY, OR AT LEAST HEALEY, MAY BE PRESSING ITS CASE IN ORDER TO HAVE A REASON TO INSIST ON A COUNTERVAILING ACTION.

3. WE INSISTED WITH TREASURY TODAY THAT IF THE EC TURNS DOWN OUR NEW COUNTER OFFER NO FINAL DECISION CAN BE TAKEN TO PROCEED WITH COUNTERVAILING UNTIL THE PRESIDENT HAS BEEN FULLY APPRISED OF THE AGREEMENTS NEGOTIATED WITH THE EC AND THE POTENTIAL EFFECTS OF EC COUNTERACTION ON OTHER TRADE INTERESTS IF WE WERE TO TURN DOWN THESE "FAIR" ARRANGEMENTS. WE FEEL THAT THE PRESIDENT WILL NOT BE WELL SERVED IF HE IS NOT PRESENTED WITH THE FULL CONSEQUENCES, POLITICAL AS WELL AS ECONOMIC, OF AN ADMINISTRATION REJECTION OF AN OFFER THAT MEETS PRACTICALLY ALL OF THE INDUSTRY'S NEEDS, A REJECTION THAT WOULD HAVE DAMAGING EFFECTS ON OTHER SEGMENTS OF AGRICULTURE AND ON OTHER INDUSTRIES AND WOULD APPEAR TO KNUCKLE UNDER TO A GROUP WHICH IS CURRENTLY RECEIVING A LARGE AMOUNT OF PRESS NOTORIETY FOR PAST POLITICAL PRESSURE ACTIONS.

4. WE WILL KEEP YOU INFORMED OF DEVELOPMENTS ON THIS ISSUE. INGERSOLL

UNQUOTE
INGERSOLL

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